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JOINT STATE-FOA MESSAGE

DEPTEL ~~142~~ 140

Since FOA grant essential part September 9 bargain, many same considerations therefore we are prepared if deemed necessary DEPTEL 275 applicable, especially those paragraph 2. / in your judgment to waive usual procedures and turn over lump sum. Certain safeguards desirable however. Necessary determine soonest method providing FOA portion since funds ought to aid/ be obligated prior April 30. Prefer transfer $3 million to Joint Economic Commission after functioning and assume you pursuing its organization soonest. Desire allocation by Joint Economic Commission to specific projects it approves. Arrangements for transfer to Joint Economic Commission should provide for reporting use, e.g., amount Benghazi harbor, etc. Payment to GOL or Joint Economic Commission (see paragraph 4 DEPTEL 275; FOA prefer Joint Economic Commission) would be considered expenditure by US Government. Thereafter planning and prudent implementation projects would be responsibility Libyan Government and Joint Economic Commission with counsel USOM. Libyans should of course be reminded whenever appropriate that way funds used will inevitably influence US attitude towards any future development aid.

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Foregoing would (1) conform to September 9 bargain; (2) direct funds to uses most directly related purposes Title II, Mutual Security Act 1954 and Congressional expectation US knows particular purposes to which Mutual Security aid will be devoted; (3) give FOA some modicum protection on use money without insisting full range normal safeguards; (4) provide basis reporting to Congress; (5) strengthen power and influence Joint Economic Commission in obtaining wise development program.

Joint Embassy-USOM recommendations these matters desired soonest. Anxious also have material mentioned EMBTEL 216.

Must be clearly understood by Libyans that waiving usual FOA requirements with regard this $3 million is unusual, establishes no (repeat no) precedent for future aid, and in event such aid extended in future normal procedures would be followed.

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